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## Memorandum

Date: November 26, 2008

To: Chip Skinner  
Deputy Executive Officer  
Victim Compensation Program

From: Amy Cheung, Chief  
Office of Audits and Investigations

Subject: **Final Report – Review of Eligibility Determinations**

This report presents the results of the Office of Audits and Investigations review of eligibility determinations processed by headquarters staff for the period of October 1, 2007, through January 31, 2008.

Our review included a sample of 190 claims from a total of 2,811 claims, representing approximately 7% of the total population. We examined the application within each sampled claim.

Our review did not include an assessment of the efficiency and effectiveness of the Victim Compensation Program's (VCP) operations. Rather, we only identified applications that had eligibility issues.

### Background

The Victim Compensation and Government Claims Board (VCGCB) administers several programs, one of which is the VCP. Through a claims process, the VCP reimburses eligible victims for their medical, mental health, funeral/burial, income/support, and other specified losses incurred as a direct result of a crime. Prior to reimbursement of expenses, VCP staff must review an application in detail to determine eligibility.

### Objective, Scope, and Methodology

Our review objective was to determine whether eligibility determinations were recommended in compliance with applicable statutes, regulations, policies and procedures.

To accomplish our objective, we reviewed applications to determine whether:

- the application was completed;
- the application intake data was entered into CaRES accurately;
- the eligibility determination was justified based on several eligibility criteria; and
- the quality assurance review process was accurate.

Information technology staff generated a report that contained 2,811 claims processed by the headquarters staff for the period of October 1, 2007, through January 31, 2008.

We selected a statistical sample based on a 95% confidence level with a precision rate of 3% and an expected error rate of not over 5%. A total of 190 applications from a population of 2,811 were selected for review. We used a statistical sample so the sample results could be projected to the population.

## Findings and Recommendations

### Finding 1 – *Inaccurate eligibility determinations*

We reviewed 190 applications and found 9 applications that had either an incorrect or a questionable eligibility determination. An inaccurate eligibility determination potentially raises the risk of the VCP allowing payments to an ineligible claim while reducing available resources to other claims that are eligible for reimbursement.

The following table summarizes the number of ineligible applications:

Table 1:

Description	Number of applications
No evidence of physical injury and/or emotional injury with a threat of physical injury	3
Duplicate applications where staff previously allowed for the same crime	3
Possible involvement issues not overcome	2
Claimant as a non-qualifying derivative victim	1
Total ineligible applications approved	9
Total applications sampled	÷ 190
Error rate	5%
Total applications in population	x 2,811
Projected ineligible applications recommended	141

Source: Auditors' Worksheets

Government Code (GC) section 13955(f)(1)(2)(3) states that, as a direct result of the crime, the victim or derivative victim sustained physical injury and/or emotional injury and a threat of physical injury or emotional injury where physical injury is presumed.

California Code of Regulations section 649.41(a) states that an act or series of acts by a perpetrator or perpetrators that is a continuing series of events, regardless of the time period over which the acts occur, may be considered one crime for the purpose of filing an application or eligibility.

GC section 13956(c) states an application for compensation may be denied, in whole or in part, if the board finds that denial is appropriate because of the nature of the victim's or other applicant's involvement in the events leading to the crime or the involvement of the persons whose injury or death gives rise to the application. In the case of a minor, the board shall consider the minor's age, physical condition, and psychological state, as well as any compelling health and safety concerns, in determining whether the minor's application should be denied pursuant to this section. The application of a derivative victim of domestic violence under the age of 18 years may not be denied on the basis of the denial of the victim's application under this subdivision.

GC section 13955(c)(1)(2)(3)(4)(5) states that a derivative victim is a person who, at the time of the crime was the parent, grandparent, sibling, spouse, child, or grandchild of the victim; living in the household of the victim; a person who had previously lived in the household of the victim for a period of not less than two years in a relationship substantially similar to a parent, grandparent, sibling, spouse, child, or grandchild of the victim; another family member of the victim, including, but not limited to, the victim's fiancé or fiancée, and who witnessed the crime; the primary caretaker of a minor victim, but was not the primary caretaker at the time of the crime.

### **Recommendation**

We recommend the VCP improve its eligibility determinations accuracy by evaluating causes of improper eligibility determinations and use the results to develop and implement an action plan to prevent them from occurring. We also recommend the VCP emphasize the importance of reviewing current policies and procedures to staff to ensure that their eligibility determinations are properly justified.

### **Finding 2 – *The VCP's quality assurance review process is ineffective in evaluating the quality of eligibility determination decisions***

The VCP's quality assurance process was ineffective in identifying applications that were not eligible for benefits. Quality assurance staff reviewed three of the nine ineligible applications described in Finding 1 and agreed to the eligibility decisions in all three applications. By failing to detect eligibility issues, the VCP may potentially reimburse claimants who are not eligible under the guidelines of the program.

GC section 13403(a) states that internal accounting and administrative controls are the methods through which reasonable assurances can be given that measures adopted by state agency heads to safeguard assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies are being followed. Maintaining an effective system of internal review is one of the elements of a satisfactory system of internal accounting and administrative control.

### **Recommendation**

We recommend the VCP take steps to improve its review process, which could include reviewing a larger sample size of bills, assessing staff's abilities to perform this function, and increasing current training efforts.

### **Finding 3 – Inaccurate data entry in CaRES**

We found 12 applications that contained one or more instances of inaccurate data entered into CaRES. These instances of inaccurate data entry occurred because staff did not properly type information into CaRES. There were seven instances where the applications did not have the claimant's correct social security number, date of birth, and/or address. Another five instances had an incorrect filing status. Also, the crime report number was incorrect on two applications. Although these errors had minimal impact on the applications we reviewed, the risk for overpayments tend to increase when inaccurate information is entered into CaRES.

The following table summarizes the number of applications with inaccurate information:

Table 2:

<u>Description</u>	<u>Number of applications</u>
Total number of applications with inaccurate data	12
Total applications tested	÷ <u>190</u>
Error rate percentage	6%
Total applications in population	x <u>2,811</u>
Projected error	<u><u>169</u></u>

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Source: Auditors' Worksheets

GC section 13403(a)(3) requires agencies to maintain a system of authorization and recordkeeping procedures adequate to provide effective accounting control over expenditures.

### **Recommendation**

To ensure that CaRES maintains and processes accurate and complete information, we recommend the VCP train or remind application intake staff to correctly input data into the system and eligibility and bill determination staff to correct or update data as necessary in CaRES. We also recommend VCP remind application intake staff to request and follow up on all appropriate verification documentation.

**Follow-up and Corrective Action**

Our office will conduct a follow-up review six months from the date of this report. We will assess the progress of our recommendations at that time and perform another test on eligibility determinations.

Please note that this report is solely for management information. It is not intended to be and should not be used by anyone other than management.

If you have any questions regarding this review, please contact me at (916) 491-3875.

*[ORIGINAL SIGNED BY]*

AMY CHEUNG, Chief  
Office of Audits and Investigations

AC:mc: 2007/08-3

cc: Julie Nauman  
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